THE FOREST INDUSTRY SNAPSHOT:

Ministry of Forests, Lands and Natural Resource Operations

July 2011

BRITISH COLUMBIA

A Selection of Monthly Economic Statistics

Points of interest:

China Became the No. 1 Foreign Market for B.C. Forest Products Exports

For the first time in history, **China surpassed the U.S. and became the No. 1 destination market** for B.C. forest product exports in May 2011, with a share of 36.0% of B.C. total forest products export value, followed by the U.S. (34.1%), Japan (11.2%) and Other destinations (18.7%).

In May 2011, China was B.C.'s No. 1 market for **softwood lumber** exports (36.3% of total value), **logs** (65.6% of value and 58.4% of volume), and **pulp** (55.0% of value and 54.1% of volume). China is now importing **more higher-value** logs and lumber from B.C. than the U.S. With its robust economic growth, weak U.S. market and Russia's log export barriers, China's strong demand for B.C. forest products is expected to continue in the near future (*source: BC Stats*).

Eastern Canadian Penalty Tax expired

The 10% penalty tax paid by Eastern Canadian lumber producers on exports to the U.S. expired on July 1, 2011. Producers operating under Option B of the Softwood Lumber Agreement have been paying the tax since April 2009 to cover a $68.26 million penalty imposed by the London Court of International Arbitration. The CRA bulletin noted that the full remedy amount had been satisfied, and that the 10% export charge would be terminated effective July 1. (*source: Random Lengths Lumber Market Report*).

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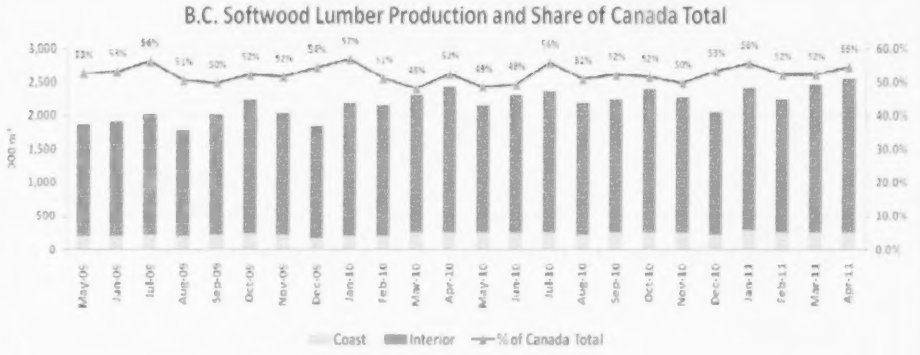
SOFTWOOD LUMBER MARKET



Data sources: Madison's, US Census Bureau and Statistics Canada. * privately-owned housing starts, seasonally adjusted annual rate (SAAR).

- **U.S. privately-owned housing starts** in June were at a seasonally adjusted annual rate of 629,000. This is 14.6% above the revised May rate, and is 16.7% above the June 2010 rate. **Sales of new homes** including new and existing homes in the U.S. were at a seasonally adjusted annual rate of 319,000 in May 2011, down 2.1% M/M and up 13.5% Y/Y. U.S. seasonally adjusted unemployment rate was 9.2% in June 2010, it was 9.5% one year ago. (*from U.S. Census Bureau and U.S. Bureau of Labour Statistics*).
- **SPF 2x4 price climbed to $225** (US$231) in June 2011, up 4.3% M/M and up 12.7%Y/Y. The Canadian dollar stayed strong at $0.9768 per US$ in June 2011.
- In April 2011, **B.C. softwood lumber production** totalled 2.56 million m^3, up 3.7% M/M and up 4.2% Y/Y. 90.5% of the production was from the Interior.
- In May 2011, **B.C. softwood lumber exports value** totalled $337 million, up 3.5% Y/Y. **B.C. softwood lumber exports volume** totalled 1.97 million m^3, up 11.7% Y/Y. The top three destinations for softwood lumber exports in May 2011 were: China (value: 36.3%; volume: 37.9%), U.S. (value: 35.2%; volume: 42.5%), and Japan (value: 14.9%; volume: 10.4%).

Common Abbreviations:

**$** Canadian dollars unless noted as US$
M/M % change from the previous to current month
Y/Y- % change from the same month in the previous year to the current year
YTD year to date
China- refers to China, including Hong Kong

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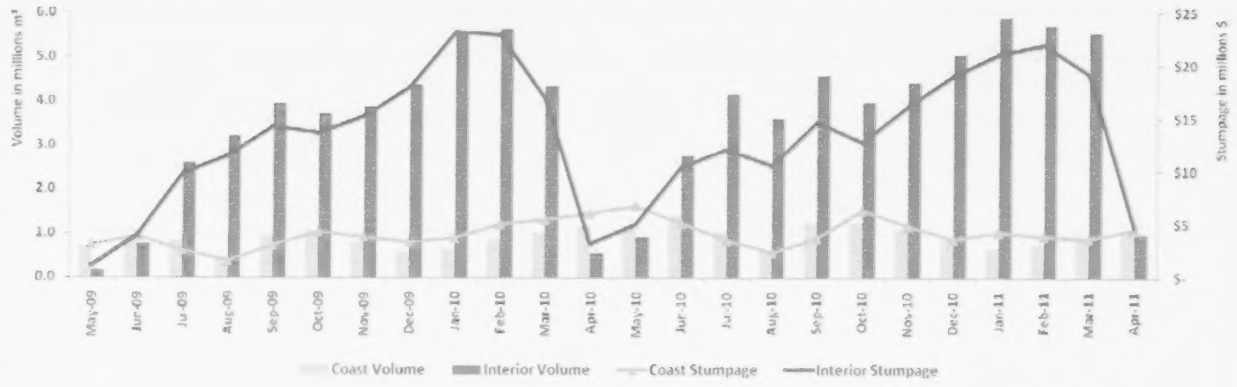
HARVESTING

B.C. Crown Land Monthly Harvest Volume* and Stumpage Revenue



Data source: Harvest Billing System of Ministry of Forests, Lands and Natural Resource Operations.

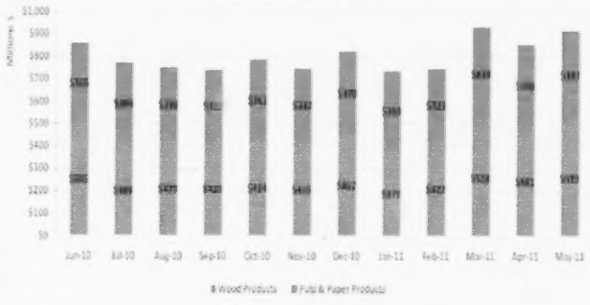
**Based on scale dates, all logs (BCTS & Major), special forest products, species and grades billed to Crown land excluding waste, reject and Christmas trees. Data in recent months is subject to change.*

COAST **harvest volume** for all land (including Crown, private and federal) totalled 1.50 million m³ in April 2011, down 1.6% Y/Y. Crown land harvest volume totalled 1.05 million m³, down 9.3% Y/Y. **Stumpage revenue** collected was $4.49 million in April 2011, down 25.5% Y/Y.

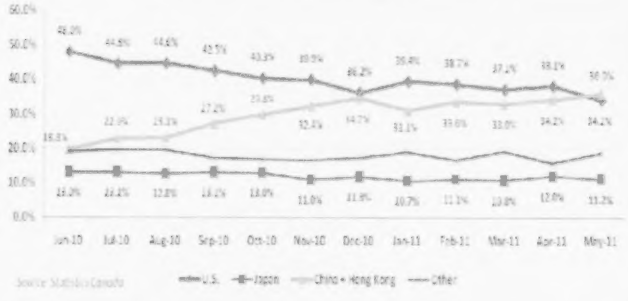
INTERIOR **harvest volume** for all land (including Crown, private and federal) totalled 0.98 million m³ in April 2011, up 63.0% Y/Y. Crown land harvest volume totalled 0.96 million m³, up 70.4% Y/Y. **Stumpage revenue** collected was $4.63 million in April 2011, up 48.0% Y/Y.

EXPORTS

B.C. Forest Products Exports Value by Sector



Share of B.C. Forest Products Exports Value



B.C. forest product exports totalled $916 million in May 2011, up 6.9% M/M, up 9.4% Y/Y, and up 14.4% YTD from 2010:

- **Wood products exports** totalled $519 million in May, up 5.8% M/M, up 5.9% Y/Y, and up 13.1% YTD from 2010; and
- **Pulp & paper products exports** totalled $397 million in May, up 8.4% M/M, up 14.4% Y/Y, and up 16.0% YTD from 2010.
- **Exports value shares by product** in May 2011: Softwood Lumber (36.8%), Logs (5.3%), Other Wood Products (14.6%), Pulp (33.3%), and Other Pulp & Paper Products (10.0%).

In May 2011, **China surpassed U.S. for the first time** to become **the largest destination market** for B.C. forest product exports value with a share of 36.0%, while U.S. accounted for 34.1%, Japan accounted for 11.2% and other destinations accounted for 18.7%.

- **Exports to China** totalled $329 million, up 12.5% M/M, up 83.3% Y/Y and up 95.7% YTD from 2010.
- **Exports to U.S.** totalled $312 million, down 4.2% M/M, down 23.0% Y/Y and down 13.4% YTD from 2010.
- **Exports to Japan** totalled $102 million, down 0.4% M/M, up 7.5% Y/Y and up 4.3% YTD from 2010.

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DATA SUMMARY

Monthly Economic Statistics - July 2011

	Latest Month		Month Ago	M/M Change	Year Ago	Y/Y Change	Current YTD	Previous YTD	YTD/YTD* Change
Lumber Prices *(US$/000 bd ft)*									
SPF 2x4	*Jun 11*	**$231**	$222	4.3%	$205	12.7%	$268	$265	1.3%
Random Lengths Lumber Composite	*Jun 11*	**$262**	$259	1.0%	$267	-1.9%	$282	$306	-8.0%
SPF 2x10	*Jun 11*	**$257**	$261	-1.2%	$255	0.9%	$304	$324	-6.1%
SPF Stud	*Jun 11*	**$259**	$231	11.9%	$225	15.0%	$264	$279	-5.5%
Cedar 2x4	*Jun 11*	**$630**	$630	0.0%	$650	-3.1%	$641	$650	-1.3%
Hemlock Squares	*May 11*	**$815**	$810	0.6%	$790	3.2%	$797	$782	1.9%
Panel Prices *(US$/000 sq ft)*									
Plywood	*Jun 11*	**$295**	$295	0.0%	$368	-19.8%	$305	$343	-11.1%
OSB	*Jun 11*	**$199**	$195	1.9%	$284	-30.0%	$201	$288	-30.0%
Pulp & Paper Prices *(US$/tonne)*									
NBSK Pulp	*Jun 11*	**$1,016**	$1,010	0.6%	$968	5.0%	$980	$892	9.8%
Newsprint (U.S. Eastcoast)	*Jun 11*	**$624**	$625	-0.1%	$586	6.5%	$626	$551	13.6%
$/US$ Exchange Rate	*Jun 11*	**0.9768**	0.9680	0.9%	1.0379	-5.9%	0.9768	1.0343	-5.6%
Housing Starts *(000 units)*									
U.S. (Seasonally Adjusted Annual Rates)	*Jun 11*	**629**	549	14.6%	539	16.7%	579	608	-4.8%
Canada	*Jun 11*	**197**	194	1.7%	192	2.7%	185	198	-6.5%
Japan (Wood-based)	*May 11*	**34**	35	-3.3%	35	-2.4%	174	170	2.4%
B.C. Lumber Production *(000 m³)*	*Apr 11*	**2,558**	2,468	3.7%	2,456	4.2%	9,676	9,043	7.0%
Coast	*Apr 11*	**244**	265	-7.8%	253	-3.2%	1,051	899	16.8%
Interior	*Apr 11*	**2,314**	2,202	5.1%	2,183	6.0%	8,625	8,202	5.2%
B.C. Market Pulp Shipments *(000 tonne)*	*May 11*	**406**	366	10.9%	364	11.5%	1,935	1,751	10.5%
B.C. Forest Products Exports *(million $)*	*May 11*	**$916**	$856	6.9%	$837	9.4%	$4,186	$3,660	14.4%
Wood Products	*May 11*	**$519**	$491	5.8%	$490	5.9%	$2,327	$2,058	13.1%
Pulp & Paper products	*May 11*	**$397**	$366	8.5%	$347	14.4%	$1,859	$1,602	16.0%
Shares of B.C. Forest Products Exports Value *(%)*									
U.S.	*May 11*	**34.1%**	38.1%	-10.4%	48.5%	-29.6%	37.3%	49.3%	-24.3%
China + Hong Kong	*May 11*	**36.0%**	34.2%	5.2%	21.5%	67.5%	33.7%	19.7%	71.1%
Japan	*May 11*	**11.2%**	12.0%	-6.8%	11.4%	-1.7%	11.1%	12.2%	-8.8%
Other	*May 11*	**18.7%**	15.7%	19.1%	18.7%	0.3%	17.9%	18.8%	-4.9%
Market Shares of U.S. Lumber Consumption *(%)*									
B.C.	*Apr 11*	**14.1%**	14.1%	0.0%	15.9%	-11.4%	13.8%	16.6%	-16.7%
Rest of Canada	*Apr 11*	**12.4%**	11.5%	7.7%	11.4%	9.4%	11.7%	10.7%	9.4%
U.S.	*Apr 11*	**73.4%**	74.3%	-1.2%	72.7%	1.0%	74.4%	72.7%	2.4%
3rd Country	*Apr 11*	**1.3%**	1.3%	1.1%	1.3%	-3.1%	1.3%	1.3%	-3.3%
B.C. Crown Land Scaled Volume** *(000 m³)*	*Apr 11*	**2,009**	6,459	-68.9%	1,720	16.8%	21,475	19,788	8.5%
Coast	*Apr 11*	**1,047**	907	15.5%	1,155	-9.3%	3,372	3,696	-8.8%
Interior	*Apr 11*	**962**	5,553	-82.7%	565	70.4%	18,103	16,092	12.5%
B.C. Stumpage *(million $)*	*Apr 11*	**$9.1**	$22.8	-60.0%	$9.2	-0.4%	$83.2	$86.4	-3.7%
Coast	*Apr 11*	**$4.5**	$3.7	22.8%	$6.0	-25.5%	$16.3	$20.2	-19.5%
Interior	*Apr 11*	**$4.6**	$19.2	-75.8%	$3.1	48.0%	$66.9	$66.1	1.1%
B.C. Forestry Employment (LFS) *(000 jobs)*	*Jun 11*	**53.7**	52.3	2.7%	57.4	-6.4%	53.6	55.6	-3.6%
Forestry & Logging	*Jun 11*	**17.0**	12.0	41.7%	20.2	-15.8%	12.6	17.4	-27.4%
Wood Products	*Jun 11*	**27.2**	29.1	-6.5%	26.8	1.5%	31.1	28.1	10.9%
Paper Products	*Jun 11*	**9.5**	11.2	-15.2%	10.4	-8.7%	9.9	10.2	-3.1%
B.C. Log Exports									
Volume (*000 m³*)	*May 11*	**426**	552	-22.8%	365	16.9%	2,338	1,471	59.0%
Value (*million $*)	*May 11*	**$48.6**	$56.4	-13.8%	$39.4	23.5%	$233.6	$149.7	56.1%

** based on calendar year, change % from the same year-to-date period of the previous. year to the year-to-date of current year.*

*** Preliminary data and subject to change.*

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